

THE U.S.-VIETNAM TRADE AGREEMENT AND THE FUTURE U.S.-VIETNAM RELATIONSHIP

Ambassador Charlene Barshefsky
U.S. Trade Representative

Fulbright Economics Teaching Program
University of Economics
Ho Chi Minh City, Vietnam

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Thank you very much.

It is a great pleasure for me to join each of you here today – on the historic occasion of the Presidential visit, and at a program which symbolizes both Vietnam's own commitment to economic reform, and the new relationship between our countries.

I am especially pleased to find that you will be taking a trade policy course in the next semester; and this morning's event thus gives me an unusual opportunity to offer some thoughts on the principles of American trade policy, and their application to Vietnam. But let me begin with the political context of these issues in the unique relationship between our two countries.

THE PRESIDENTIAL VISIT

For all of us – for the participants in the President's delegation, for the Vietnamese-American community, for the American public generally, I believe for the Vietnamese government and public as well – the President's visit has inescapably been a moment of reflection on the past and its lessons.

It is also, however, a moment at which Americans are learning about the modern Vietnam – the hopes of the young people standing on the roofs of the dormitories at Vietnam National University in Hanoi and lining the streets of Ho Chi Minh City to watch the President's arrival, the views of its government on our new relationship, the ideas of younger officials and future leaders like yourselves.

And it is a moment at which a new relationship comes to full maturity. With this visit, the preparatory work of the past five years – the end of the postwar embargo and the opening of diplomatic relations; the cooperative efforts to resolve the cases of loved ones missing in the war; the first U.S. investments and business missions; the initiation of OPIC, TDA and Ex-Im Bank; the visits of

Secretary Cohen and Secretary Albright, the negotiations culminating in our Bilateral Trade Agreement – gives way to a fully normalized relationship.

THE BILATERAL TRADE AGREEMENT IN THE NEW RELATIONSHIP

In this future – as the President noted in his speech two days ago – trade, and our Bilateral Trade Agreement in particular, have taken a place of great importance.

In one sense, this is for the most practical of reasons. As the Bilateral Trade Agreement goes into effect, it will provide the framework of law and policy that defines much of the human contact between our two countries.

Despite some very high trade barriers, our trade relationship has grown over just five years to \$1 billion a year in two-way trade, with Vietnamese coffee growers, shrimp boats and factories now finding significant markets in the United States; and American high-tech firms and manufacturers likewise beginning to succeed in Vietnam. As the Agreement opens markets on both sides of the Pacific, Vietnamese farmers and businesses will be more able than ever before to export to the United States. The Vietnamese-American community will be more free than ever before to establish trans-Pacific family businesses. And Americans will find new opportunities to export our goods, services and high-tech products to Vietnam.

In another sense – perhaps one that is still more important – the Agreement symbolizes a broad convergence of opinion, in Vietnam and the United States, that is at the foundation of our broader new relationship: a consensus on the appropriate path to economic growth and development; a shared view of the role Vietnam can take up in the wider Pacific economy; a common commitment to a more peaceful, stable and prosperous Pacific region.

And to explain this more fully, let me turn away for a moment from the present and the trade agreement to the past, and the most fundamental and enduring principles of American – indeed, internationalist -- trade policy.

PRINCIPLES AND RECORD OF AMERICAN TRADE POLICY

America's modern trade policies, in brief, seek open markets, at home and abroad, under the rule of law. This reflects sound economic theory: open markets at home create competition and innovation, raise living standards and dampen inflation; open markets abroad spark investment and help create better jobs as they enable us to reach wider markets.

It also, however, reflects practical experience. Our modern trade policies can be traced back

to Franklin Roosevelt, and the lessons he and his contemporaries drew from the Depression of the 1930s and the Second World War. They attributed the persistence and severity of the Depression in part to a cycle of trade protection and retaliation, begun with the American Smoot-Hawley Act of 1930, that had blocked recovery and spread the Depression more widely; and that this in turn had contributed to the political tension and upheaval of the later 1930s.

As the end of the Second World War approached, Roosevelt summarized the lessons:

“A basic essential to peace – permanent peace – is a decent standard of living for individual men and women. Freedom from fear is eternally linked to freedom from want. [And] it has been shown time and time again that if the standard of living in any country goes up, so does its purchasing power – and that such a rise encourages a better standard of living in the neighboring countries with which it trades.”

Succeeding Administrations, slowly and continuously, turned this insight into the policies and institutions of the modern trading system. The work has proceeded from the first step in the 23-nation General Agreement on Trade and Tariffs, or GATT, in 1947; through seven Rounds of global trade negotiations, capped by the establishment of the WTO five years ago; and through the system’s expansion from the 23 founders to 139 members of the WTO today. It has included more recently the development of a network of bilateral and regional agreements with Europe, Japan, Mexico, Canada and others, the most recent being our launch of negotiations on a Free Trade Area with Singapore last Thursday. And it has taken up new responsibilities as we adapt and rethink policy to keep pace with the technological revolution.

The result of these negotiations today is a far more open and integrated world economy. We have cut tariffs worldwide by about 90% since the 1950s; and begun to phase out non-tariff barriers such as quota systems entirely. We have reduced industrial and agricultural subsidies, and developed new ways of opening trade in agriculture and the services industries. We have agreed on impartial means of settling international trade disputes. And when we step back from the particulars of these negotiations, we see that their results validate Roosevelt’s predictions.

The growth of trade has sparked development and prosperity. As trade has grown sixteen-fold in a more open world, the world economy has quadrupled in size and per capita income doubled. This in turn has fostered an unprecedented era of social progress, as in a more prosperous world, infant mortality has fallen by two-thirds, life expectancy risen by twenty years, and the threats of hunger and life-taking disease retreated from much of the world.

Trade policy has become a means for governments to promote economic reform and the rule of law. We see this very clearly, for example, in the negotiations on WTO accession with China. China’s

commitments – reducing barriers to goods; promoting competition and more modern regulatory practices; strengthening the rule of law and administrative transparency – not only ensure that China and the United States will have permanent Normal Trade Relations after WTO entry, but over time will help China raise living standards and build a more competitive national economy. This is by no means the only example – we can draw similar lessons from the success of economic reform and integration in Central and Eastern Europe, and the recent acceleration of our negotiations on WTO membership for Russia.

And the development of a more open world economy has helped to strengthen peace. We see this, of course, in Western Europe, where the regional integration programs of the European Union have helped to bring about the longest era of unbroken peace since the collapse of the Roman Empire 1500 years ago. We see a similar, although more recent, evolution in Latin America. And the integration of Southeast Asia through the Association of Southeast Asian Nations provides us with an especially striking example.

BENEFITS OF SOUTHEAST ASIAN INTEGRATION

Over the thirty-three years since the foundation of ASEAN, Southeast Asian governments have developed the habits of cooperation and consultation; ASEAN has grown to include Vietnam, Cambodia and Laos; projects like the ASEAN Free Trade Area have moved forward.

The economic results are evident in statistics – rising living standards for families; economic growth for nations; and the political consequences are powerfully symbolized in Vietnam's role as Chair of the ASEAN Standing Committee and the ASEAN Regional Forum this year. Altogether, ASEAN has not only helped the modern Southeast Asia become a center of manufacturing and world trade, but eased a complex set of tensions within the region – modern divisions over ideology; historic suspicions among neighbors – which had very deep roots and posed great dangers for Pacific stability. Thus the success of Southeast Asian integration, though still incomplete, has not only helped Southeast Asia's economies grow and develop, but given the region as a whole – so often in the past an arena for conflict among larger outside powers – new guarantees of security. And this in turn has given the wider Pacific region stronger hopes for peace and stability in the years to come.

VIETNAM AND U.S. TRADE STRATEGY IN ASIA

Our trade strategy in Asia has many parallels to the goals of ASEAN. As we proceed in each individual field – APEC's commitment to "free and open trade in the Pacific"; our market-opening and deregulation program in Japan; our support for China's WTO membership and permanent Normal Trade Relations; our network of agreements with South Korea, the ASEAN states and India – we also approach a larger goal of integration and common interest in the Pacific region as a whole.

This is the vision of “Pacific Community” President Clinton presented to the leaders of APEC at Blake Island in Washington State seven years ago: a future in which closer economic integration, reduction of trade barriers and growth through trade and investment help a diverse and occasionally tense region find the areas of common interest and mutual interest that build a stronger peace. And this vision is fully consistent with Vietnam’s own aspirations – for national economic development, and a place in the wider Pacific economy.

As East Asia’s fourth-largest nation, an economically reformed and open Vietnam will be a natural center of manufacturing and agricultural production for Southeast Asia. As the bridge between China and the ASEAN states, Vietnam also has a natural role as a hub for high-value services – shipping, air transport, and communications. As it takes up these roles, Vietnam will both find its rightful place as a major Pacific economy, and make a substantial contribution to the more prosperous, developed, and stable Asia we both hope to see.

This is the convergence of opinion I spoke of a few moments ago. Our Asian trade policy – our hopes for the new economic relationship with Vietnam – and Vietnam’s own economic reform program – all lead us to the same road. We have, in essence, the same vision of Vietnam’s future; and we have a consensus on the obstacles to its realization – which are the topics you study at the School, and the inefficiencies and bottlenecks you have seen as government officials and entrepreneurs:

- High barriers to goods imports – which raise the costs of manufacturing businesses and lower family living standards;
- Lack of access to world markets – caused most notably by the anomaly in U.S. trade policy which makes Vietnam one of only six countries in the world without Normal Trade Relations; but also by Vietnam’s need to strengthen its technical capacity in such areas as guaranteeing the health and safety of agricultural exports, and ensuring high consumer protection standards in manufacturing.
- Lack of competition in the services industries – telecommunications monopolies that raise the price of phone calls and Internet services; distribution systems that prevent farmers from getting their crops to market efficiently and manufacturing exporters from reaching customers on time;
- Monopolies and financial weaknesses caused by the exclusive role of state-owned enterprises in many industries; and
- Administrative weaknesses – including incomplete development of the rule of law, lack of transparency, inconsistent application of laws and regulations, and similar problems that deter investment.

These are the problems that have slowed Vietnam's economic development as well as the growth of our trade relationship over the past years. They are questions Vietnam's government has sought to address, and to good, if incomplete, effect, through domestic economic reforms – the new stock market is an example, although still very small – as well as participation in APEC and the ASEAN Free Trade Area. And we will address many of these problems in comprehensive form through the Bilateral Trade Agreement.

THE BILATERAL TRADE AGREEMENT

This agreement is a landmark achievement – one which required painstaking effort and political courage on both sides of the Pacific; and one which, to draw on President Clinton's remarks in Hanoi, will help us harness the forces of economics and technology – as inescapable as the wind and water – for the common good.

On its ratification by the U.S. Congress and Vietnam's National Assembly, it will create a remarkable new set of export opportunities for Americans – farmers, high-tech manufacturers, financial services and telecommunications providers and more. And it will address the economic problems we have identified together:

- It will give Vietnam's exporters greater access to world markets – most immediately, by granting NTR for Vietnam, and thus removing a tariff disparity that today places Vietnam's farmers and businesses at a disadvantage relative to competitors in China, in Latin America or elsewhere in Southeast Asia.
- It will make Vietnamese businesses more competitive, reducing the tariff and non-tariff barriers that raise the prices of spare parts, raw materials, semiconductor chips and the other essentials of a competitive manufacturing sector. These are also, of course, measures that, by reducing the price of food and consumer goods, will fight inflation and raise living standards for Vietnamese families.
- It will promote technological progress and economic efficiency throughout the Vietnamese economy by liberalizing services industries. A more open telecommunications market will give Vietnamese families, schools and businesses cheaper phone rates and easier access to the Internet. A more competitive distribution sector and improved infrastructure will help farmers reach domestic and international markets with less wastage, and make Vietnam a center for Pacific commerce, as Vietnam's ports begin to serve the 1000 ships that now simply pass by along the coast every week.

- It will make Vietnam more attractive as a site for investment, by promoting modern regulatory policies in a wide range of industries, strengthening intellectual property rights, helping to ensure equitable treatment for foreign investors, and strengthening transparency and consistency in law, administration and regulatory policy.
- And it will speed Vietnam's accession to the World Trade Organization, building a foundation for future commitments in market access, services, intellectual property and the full range of WTO agreements that will enable Vietnam to take its rightful place as a beneficiary of and contributor to the world trading system.

Altogether, this agreement confirms, deepens and accelerates the process of reform Vietnam has already begun. And as time passes, it will therefore mean more than a growing bilateral trade relationship with the United States. Ultimately, in this new decade, it will help Vietnam take its rightful place: as a prosperous country whose young people can fully realize their aspirations; and as a major Pacific economy, fully integrated into regional trade and investment, which contributes to growth and prosperity in Southeast Asia and the wider region.

Finally, and at least as important, such a development will have powerful and beneficial political consequences. The healing of the political divisions between Vietnam and Southeast Asia's other major nations has already made a contribution of outstanding importance to peace and stability in Asia. As Vietnam's economy grows, becomes more technologically sophisticated, builds closer links with its neighbors, and contributes to the growth of the regional economy, this will accelerate. It will strengthen bonds of common interest and mutual benefit within Asia; it will create new constituencies for regional political stability; and thus trade will complement and support the work of our diplomats and security officials as they seek to give the next generation of Asians and Americans a greater chance of lasting peace.

CONCLUSION

And so, as we take time for reflection on the past during this Presidential visit, we also have an opportunity to look ahead.

This week has marked a pivotal moment: the point at which the preparatory work of the past five years has given way to a new relationship. I believe that our two governments have a consensus on the purposes and potential of this relationship; and we also have plans, ideas, and a formal framework for its development in the years to come.

But much of the responsibility for that task will be yours: as officials charged with implementing elements of this agreement; as academics and experts who can help governments address technical

challenges and give us new ideas and options; or as business leaders and entrepreneurs building the practical relationships which give substance to policy and law.

This may be a daunting challenge. But it is also a remarkable opportunity; and we must remember that it is the type of opportunity previous generations did not always have. All of us are fortunate and lucky to have it.

Thank you very much.